“CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN INDIA:

A STUDY RELATED TO SPECIFIC SECTORS”

SYNOPSIS SUBMITTED TO

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Synopsis

On

"Corporate Social Responsibility Practices in India:

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Introduction:

"A good company offers excellent products and services. A great company also offers excellent products and services but also strives to make the world a better place." - Philip Kotler

The concept of Corporate Social Responsibility (CSR) is based on the ideology of give and take policy. Business exists because society provides various resources like land, labour, natural resources, raw materials, etc. for sustainable growth and continuity of business. The companies can give back something productive to the society by performing CSR activities. Companies have integrated the goal of community development into their business goals by considering the responsibility for the impact of their activities on all stakeholders.

The movement is transitioning from purely voluntary activity to the greater use of laws. In order to streamline the philanthropic activities and ensure more accountability and transparency, the government of India has made it mandatory for companies to undertake CSR activities under the Companies Act, 2013.

Definition:

"World Business Council for Sustainable Development (WBCSD)" defines CSR as, "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large."

Literature Review:

Text Books:

- "Corporate Social Development: A Paradigm Shift" by Debasis Bhattacharya, First published (2006), ISBN 81-8069-324-4
  "Corporations need to make a serious commitment to set aside at least ½ percent of profit after tax (PAT) for social betterment."

- "Corporate Governance in India: An Evaluation" by Subhash Chandra Das, Second edition (2009), ISBN:978-81-203-3909-5
  "Corporate Governance and Corporate Responsibility towards society are inextricably interlinked, intertwined and inseparable from each other."

Thesis:

- "Corporate Social Responsibility in an Indian Legal Perspective as per Companies Act 2013: Resolution to Bridge the Gap between Indian Corporate Social Responsibility Objectives & it's Real Outcomes" by Meera Kumari Singh under the guidance of Prof. Tabrez Ahmad & Dr. T. D. Panneerselvam, University of Petroleum and Energy Studies, Dehradun, (May 2017)
  "Sec 35 ought to be returned to by making the corrective arrangements stringent with a specific end goal to hold the Directors Liable in the event of infringement of triple bottom line."

- "Corporate Social Responsibility: An Analytical Study of Global and Indian Perspectives and Practices" by Dinabandhu Mukhopadhyay under the guidance of Prof. Paramjit S. Jaswal, Rajiv Gandhi National University of Law, Punjab, (2018)
  "The developed countries like USA, UK, Germany, France, Canada, Japan etc. do have robust mechanism for socially efficient and effective CSR initiatives and they do it on the moral and ethical compulsion. CSR initiatives in the countries like China, Malaysia, and South Korea are on encouraging stage and the same is found to be in practice on voluntary basis and in significant ways. On the contrary, countries like India, Sri Lanka, Bangladesh, South Africa and Pakistan are generally found to be CSR averse. Indian Companies Act, 2013 is bringing a positive change in the CSR behavior in India."

- "Corporate Social Reporting Practices in India" by Ghanasham S. Joshi under the guidance of Dr. R. L. Hyderabad, Karnatak University, Dharwad, (Aug 2019)
  "The CSR spending of the companies has increased over the years. Some companies do not look at CSR from compliance perspective whereas some lag behind in spending the CSR outlay. A proper monitoring mechanism could ensure that the benefits reach the very needy."

Articles:

- "The truth about CSR" by V. Kasturi Rangan, Lisa Chase and Sohel Karim, Harward Business Review (Jan – Feb 2015), https://hbr.org/2015/01/the-truth-about-csr
  "Best-practices companies operate coordinated and interdependent programs across the CSR portfolio. Some of their initiatives indeed create shared value; some, though intended

to do so, create more value for society than for the firm; and some are intended to create value primarily for society. Yet all have one thing in common: They are aligned with the companies' business purpose, the values of the companies' important stakeholders, and the needs of the communities in which the companies operate. These companies, of course, stand in stark contrast to those that are focused solely on creating value for their shareholders.

- "Corporate Social Reporting in India: A Study of Some Selected Indian Companies" by Summi Arora & Jaideep, Pacific Business Review International, Volume 10, Issue 1 (July 2017), http://www.pbr.co.in/2017/2017_month/July/10.pdf
  "The selected companies are aware about their social responsibilities moreover they are disclosing information in their annual reports also. The reason for this may be the legal requirement of including the business responsibility report within the annual report of a company. Most of the information available in this regard is qualitative as there is not much information available quantitatively in the annual reports of the selected companies.

- "The impact of mandated corporate social responsibility: Evidence from India's Companies Act of 2013" by Dhammika Dharmapala & Vikramaditya Khanna, International Review of Law and Economics, Volume 56, (Dec-2018) https://doi.org/10.1016/j.irle.2018.09.001
  "The firms initially spending less than 2% increased their CSR activity; while large firms initially spending more than 2% reduced their CSR expenditures after Section 135 came into effect."

- "CSR giving in India is heavily skewed" By India Development Review, Drawn from the Ministry of Corporate Affairs database (April 2019) https://idronline.org/csr-giving-in-india-is-heavily-skewed/
  "Companies should have to mandatorily fill all fields, and for a more meaningful reading of data, they should also file revenue figures along with their CSR spend. Reporting should also be uniform—some companies filed net profit in percentages while others in absolute values—if reported at all (49 percent did not file average net profit in 2015-16). For 65 percent, total CSR spend was either not reported, or did not match the sum of all projects when calculated.

- "Leveraging CSR to complement India's COVID-19 Mitigation Strategy", by Vishal Tripati, NITI Aayog (April 2020) https://niti.gov.in/
  "MCA's appeal to companies to go "over-and-above" their legally mandated CSR ceiling of 2% must be seen in this backdrop. The Government has made it clear that second phase of the lockdown will coincide with gradual resumption of economic activities. Therefore, companies must utilize this opportunity to leverage their CSR obligations in boosting their social responsibility credentials and provide thrust to the successful

blending of the first phase of the lockdown with the second by cushioning this transition through creative deployment of their CSR funds."

Scope of the Study:

Research on CSR practices of Corporate India is complex and is beyond the scope of one or two studies. The present study aims to understand the mandated CSR, as per Companies Act, 2013, Section 135, Schedule VII. The provisions of this section are applicable to the companies having net worth of Rs. 500 crores or more or turnover of Rs. 1,000 crores or more or net profits of Rs. 5 crores or more during any financial year. Further the eligible companies are required to spend, in every financial year, at least 2% of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its CSR policy.

The study tries to answer the following questions:

- What is the influence of mandatory CSR on social responsibility behavior of companies?
- How does profitability, nature, size, age, listing status, ownership pattern of companies play a role in CSR norms?
- What is the board's involvement in CSR?
- Does social reporting context vary across companies?
- Which methods of reporting are employed by Indian Companies – GRI, GC, Accountability Assurance Standard, etc.

Sample Companies:

The study considers NSE NIFTY 200 Index companies as sample companies for analysis of CSR practices. The NIFTY 200 index is designed to reflect the behavior and performance of large and mid market capitalization companies. NIFTY 200 includes all companies forming part of NIFTY 100 and NIFTY Full Midcap 100 index. These companies are distributed across 18 sectors.

Objectives of the study:

The study aims to achieve the following objectives:

1. To analyze trend and progress in social responsibility practices in India and sample companies in particular.
2. To examine the impact of provisions of the Companies Act, 2013 on social responsibility behavior of sample companies.
3. To study variations in CSR practices of sample companies.
4. To analyse the relation between governance characteristics and CSR practices of sample companies.

5. To examine the influence of international reporting framework on social reporting practices of sample companies in India.
6. To study the CSR contributions in times of Corona virus COVID-19 in India.

Research Design:

Studies so far on CSR have used methods like survey, questionnaire, content analysis, etc. The present study uses content analysis methodology to achieve its objectives. For the purpose of content analysis, annual reports of companies will be collected from the websites of the respective companies and sustainability reports from GRI Database. Further the financial data will be collected from the PROWESS Database of CMIE, Mumbai. Using content analysis, the data pertaining to CSR areas of focus, CSR expenditures on various focus areas, reporting practices as per Companies Act, 2013 and other International framework will be collected. Hypothesis testing will be carried out using Correlation, Regression Analysis and ANOVA.

Hypotheses:

The study intends to test the following hypotheses:

H_{01}: There is no significant association between company characteristics and CSR practices.

H_{A1}: There is a significant association between company characteristics and CSR practices.

H_{02}: There is no significant association between board characteristics and CSR practices of companies.

H_{A2}: There is significant association between board characteristics and CSR practices of companies.

H_{03}: There exist no variations in sector wise CSR performance of sample companies.

H_{A3}: There exist variations in sector wise performance of sample companies.

H_{04}: There exist no variations in CSR practices of companies based on market capitalization.

H_{A4}: There exist variations in CSR practices of companies based on market capitalization.

H_{05}: There exist no variations in CSR practices of companies based on ownership.

H_{A5}: There exist variations in CSR practices of companies based on ownership.

Conclusion:

Growing importance of Corporate Social Responsibility is the need of an hour and its study is vast and of immense value. The study will be conducted with due diligence to bring in new perspectives to the existing body of knowledge.